

## Message Text

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ORIGIN EB-08

INFO OCT-01 ISO-00 EA-10 INR-07 INRE-00 L-03 SS-15  
SP-02 PM-05 EUR-12 H-01 /064 R

DRAFTED BY EB/OA/AVP:GGRIFITHS:SP

APPROVED BY EB/ :RHORMATS

EB/TCA:JWBILLER

-----122263 071634Z /45

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO NIACT IMMEDIATE

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STADIS////////////////////////////////////

FROM R. HORMATS FOR J. KATZ AND M. STYLES

E.O. 11652: N/A

TAGS: EAIR, JA

SUBJECT: CIVAIR: SUPER APEX FARES AND LIBERAL CHARTER  
RULES AGREEMENTS

1. IN SEPARATE BUT IDENTICAL OCTOBER 4 LETTERS ADDRESSED TO SECRETARIES VANCE AND ADAMS, CHAIRMAN KAHN OF THE CAB REQUESTED THE DEPARTMENTS' ADVICE ON HOW TO RESPOND TO THE NEW LOW AIR FARE FILINGS FOR TRAVEL TO DESTINATIONS BEYOND THE UNITED KINGDOM. THE CAB CURRENTLY HAS KLM AND SABENA SUPER-APEX FILINGS BEFORE IT, BOTH SCHEDULED FOR EFFECTIVENESS OCTOBER 28. OTHER FILINGS ARE EXPECTED IMMINENTLY. BOARD REQUESTED RESPONSES BY OCTOBER 10 TO ENABLE IT, IF IT SO DECIDES, TO PRESENT SUSPENSION ORDER TO PRESIDENT BY OCTOBER 14.

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2. BOARD'S PRIMARY CONCERN IS HOW TO REACH LIBERAL CHARTER UNDERSTANDINGS WITH COUNTRIES FILING NEW LOW AIR FARES. IN LETTER, BOARD OUTLINED ESSENTIALLY TWO ALTERNATIVE APPROACHES TO PROBLEM. FIRST APPROACH IS TO FOLLOW SAME PROCEDURE THAT WAS USED IN RESPONDING TO THE FARES FOR TRAVEL TO LONDON. THIS WOULD INVOLVE NEGOTIATING AN AD HOC AGREEMENT SIMILAR TO THE SEPTEMBER

19 AGREEMENT NEGOTIATED WITH THE UK, WHICH HAS EFFECT

OF PUTTING FARES ON EXPERIMENTAL BASIS. THE BOARD WOULD SUSPEND ANY NEW FARE FILED BY AN AIRLINE WHOSE GOVERNMENT HAD NOT NEGOTIATED SUCH AN AGREEMENT WITH THE US. NEGOTIATIONS TOWARD LIBERAL CHARTER UNDERSTANDINGS WOULD TAKE PLACE AFTER THE NEW FARES CAME INTO EFFECT ON EXPERIMENTAL BASIS.

3. UNDER THE SECOND APPROACH OUTLINED BY THE CAB THE BOARD WOULD SUSPEND NEW TARIFF FILINGS BY SCHEDULED CARRIERS UNLESS THEIR GOVERNMENTS AGREED BEFOREHAND TO ACCEPT COUNTRY OF ORIGIN CHARTERWORTHINESS RULES. BOARD FAVORS SECOND APPROACH IN HANDLING PROBLEM.

4. DEPARTMENT INFORMED THAT DOT FAVORS ALTERNATIVE DESCRIBED IN PARA. 3 ABOVE, BUT WITH ADDITIONAL REQUIREMENT THAT FOREIGN GOVERNMENT WOULD ALSO HAVE TO AGREE TO:

1) NO RESTRICTIONS ON CHARTER PRICES;

2) NO RESTRICTIONS ON CHARTER VOLUMES, FREQUENCIES, OR REGULARITIES; AND

3) SEPTEMBER 19 TYPE AD HOC AGREEMENT.

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DEPARTMENT INFORMED THAT DOT HERE (FLYNN) HAS DISCUSSED THIS POSITION BY PHONE WITH YOUNG AND KUTZKE IN TOKYO.

5. WE BELIEVE THAT IF AT ALL POSSIBLE DEPARTMENT AND DOT SHOULD GIVE CAB SIMILAR REPLIES, AND DOT DRAFT POSITION WOULD BE SERIOUS ERROR. WE DOUBT THAT MOST EUROPEAN COUNTRIES WOULD BE WILLING TO NEGOTIATE UNDER SUCH HEAVY-HANDED PRESSURE AND IN SO SHORT A TIME A 180 DEGREE ABOUT FACE OF THEIR CHARTER POLICIES. WE WOULD ALMOST CERTAINLY HAVE A NUMBER OF TARIFF SUSPENSIONS IN EFFECT SIMULTANEOUSLY AND WOULD BE CREATING A SITUATION WHERE THE EUROPEANS WOULD BE ENCOURAGED TO UNITE IN A COMMON FRONT AGAINST US. OUR STRONG PREFERENCE WOULD BE TO APPROVE LOW FARES ON EXPERIMENTAL BASIS AND THEN SCHEDULE SEPARATE NEGOTIATIONS IN THE MOST STRATEGICALLY ADVANTAGEOUS MANNER. WE WOULD WANT TO NEGOTIATE FIRST WITH COUNTRIES, SUCH AS BELGIUM, WHOSE NEGOTIATING POSITION VIS-A-VIS THE US ON LIBERAL CHARTER AGREEMENTS IS RELATIVELY WEAKER THAN OTHER COUNTRIES'. WE WOULD BUILD A BASE OF AGREEMENTS FROM WHICH WE WOULD PROCEED TO NEGOTIATE WITH COUNTRIES WHOSE POSITION ON CHARTERS IS MORE CONSERVATIVE. THIS IS A FEASIBLE AND MANAGEABLE

NEGOTIATING STRATEGY.

6. PRACTICAL EFFECT OF DOT POSITION, HOWEVER, WHICH IS VIRTUALLY AN ULTIMATUM, WOULD BE TO SUSPEND EVERYBODY'S NEW FARES. NOT ONLY WOULD THIS INCREASE THE TENDENCY FOR THE EUROPEAN COUNTRIES INVOLVED TO UNITE IN A COMMON FRONT BUT IT COULD BRING ON RETALIATORY ACTION AGAINST US CHARTERS. ALSO, IT WOULD ELIMINATE ANY CHANCE TO GET ECAC TO BE MORE FORTHCOMING TO THE IDEA OF A US-UK CHARTER BILATERAL. SUCH AN OUTCOME WOULD NOT BE CONSISTENT WITH THE PRESIDENT'S OBJECTIVES AS STATED IN HIS LETTER OF SEPTEMBER 26 TO THE BOARD.

7. IN VIEW OF TIME PROBLEM INVOLVED, RECOMMEND YOU LIMITED OFFICIAL USE

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DISCUSS SITUATION URGENTLY WITH YOUNG, KUTZKE, AND DAVENPORT IN ATTEMPT TO CHANGE DOT POSITION. FOR YOUR USE IN DISCUSSIONS, FOLLOWING IS RELEVANT PORTION OF DEPARTMENT DRAFT REPLY TO THE CAB LETTER:

QUOTE "IT IS THE DEPARTMENT'S VIEW THAT THE BEST WAY TO APPROACH THIS MATTER IS TO FOLLOW ESSENTIALLY THE SAME PROCEDURE THAT WAS USED IN RESPONDING TO THE FARES FOR TRAVEL TO LONDON. UNDER THIS APPROACH, THE DEPARTMENT WOULD ATTEMPT TO NEGOTIATE WITH EACH COUNTRY WHOSE CARRIER FILED A TARIFF, AN AGREEMENT SIMILAR TO THE AD HOC AGREEMENT NEGOTIATED ON SEPTEMBER 19 WITH THE UK. THE PURPOSE OF THESE AGREEMENTS IS TO PUT THESE NEW FARES ON AN EXPERIMENTAL BASIS AND TO MAKE IT POSSIBLE TO SUSPEND THEM, SINCE THEIR EFFECT ON THE COMPETITIVE STRUCTURE OF NORTH ATLANTIC PASSENGER RATES IS AS YET UNCLEAR. THE AGREEMENT OF SEPTEMBER 19 INVOLVED AN EXCHANGE OF LETTERS BETWEEN MR. ALEXANDER GRODON-CUMMING, COUNSELOR OF CIVIL AVIATION AND SHIPPING AT THE BRITISH EMBASSY, AND MYSELF. WE ANTICIPATE THAT AGREEMENTS WITH OTHER GOVERNMENTS WOULD BE SIMILAR IN NATURE. SUCH AGREEMENTS ARE RELATIVELY SIMPLE AND EASY TO NEGOTIATE.

AT THE TIME THAT EACH OF THESE AD HOC AGREEMENTS ARE BEING NEGOTIATED, THE DEPARTMENT WOULD INFORM THE APPROPRIATE COUNTRY OF THE NECESSITY TO CONCLUDE A TIMELY, LIBERAL CHARTER UNDERSTANDING WITH THE UNITED STATES. WE WOULD MAKE CLEAR THAT THERE IS A DIRECT LINK BETWEEN SUCH AN UNDERSTANDING AND THE CONTINUATION OF THE SUPER APEX FARE. WE WOULD SET UP A SCHEDULE FOR PROMPT NEGOTIATIONS LEADING TOWARD LIBERAL CHARTER UNDERSTANDINGS. SUCH AN APPROACH IS CONSISTENT WITH LIMITED OFFICIAL USE

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BOTH THE PRACTICAL REALITIES AND THE PRESIDENT'S OBJECTIVES."  
END QUOTE

8. NEED RESPONSE SOONEST. CHRISTOPHER

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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009